

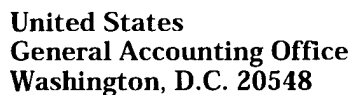
January 1999

INSPECTORS GENERAL

Information on Operational and Staffing Issues



19990119 073

**GAO/AIMD-99-29 IG Survey Results**

and (2) their views on current policy issues affecting them. To obtain the requested information, we developed and sent two questionnaires to the 57³ statutorily established IGS—27 appointed by the President and confirmed by the Senate and 30 appointed by the heads of DFEs. Responses were received from 56⁴ of the 57 IGS. We did not independently verify the information the IGS provided.

We performed our review between April 1998 and December 1998 in accordance with generally accepted government auditing standards. We requested comments on a draft of this report from the Office of Management and Budget's (OMB) Acting Deputy Director for Management, the Chairman of the Integrity Committee,⁵ and all 57 IGS. On December 10, 1998, and December 14, 1998, respectively, we received oral comments from the Integrity Committee and OMB that are discussed in the "Agency Comments" section. The Vice Chair of the President's Council on Integrity and Efficiency (PCIE) and the Vice Chair of the Executive Council on Integrity and Efficiency (ECIE) provided written comments consolidating the comments of presidential and DFE IGS, respectively. These comments are discussed in the "Agency Comments" section and are reprinted in appendixes VIII and IX, respectively. Appendix IV provides further details on our objectives, scope, and methodology.

Results in Brief

IGS' work covers a broad spectrum of agency programs and operations. In general, the IGS responded that they have the expertise and resources necessary to assemble the teams of staff needed to perform the major types of work for which they are responsible. Additionally, while they generally anticipate the level of work to remain the same or slightly increase across the range of areas they review, IGS anticipated the greatest increase to be in information technology reviews. IGS also indicated that they were generally satisfied with their role and the overall legislation governing them, but did identify certain potential areas for modification, which are discussed in detail in the policy issues section of this report.

³The questionnaires were not sent to the Treasury IG for Tax Administration because the position was not established until July 22, 1998, which is after the date the questionnaires were sent.

⁴The Office of the Inspector General for the Central Intelligence Agency did not respond and therefore was not included in our survey results.

⁵The Integrity Committee is responsible for receiving, reviewing, and referring for investigation allegations of wrongdoing against certain staff members of the IG offices.

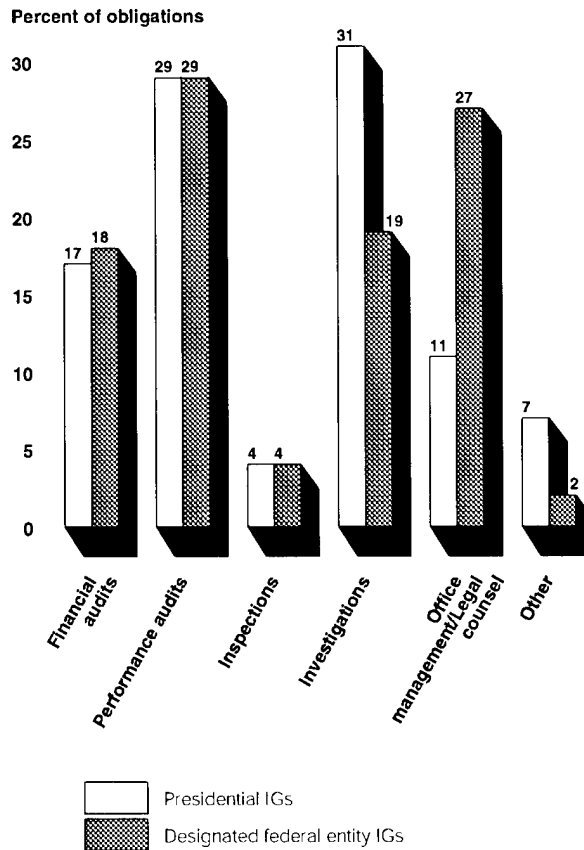
Profile of the Offices of the Inspector General

We sent a questionnaire to all 57 IGs to obtain information on IG organization structure, staffing, and workload. The following series of 11 questions and answers provide an overall profile of the 56 IGs who responded. More specifically, information is provided that relates to the IGs' budget obligations, number and classification of staff by occupational job series, career background and years of experience of the current IGs, and techniques used by IGs to help ensure the quality of the work.

1. What were the IG budget obligations for fiscal year 1997?

For fiscal year 1997, IG reported obligations totaled \$957 million. Of the reported amount, about \$912 million (95 percent) was for the presidential IGs and \$45 million (5 percent) was for the DFE IGs. Figure 1 shows how these funds were distributed among the various types of work performed by the IGs. The largest single use of the funds for the presidential and DFE IGs was for auditing—financial and performance. For the presidential IGs, about 46 percent of the funds was devoted to auditing; similarly, DFE IGs spent about 47 percent of the funding on auditing.

Figure 1: Reported IG Obligations by the Type of Work Performed for Fiscal Year 1997



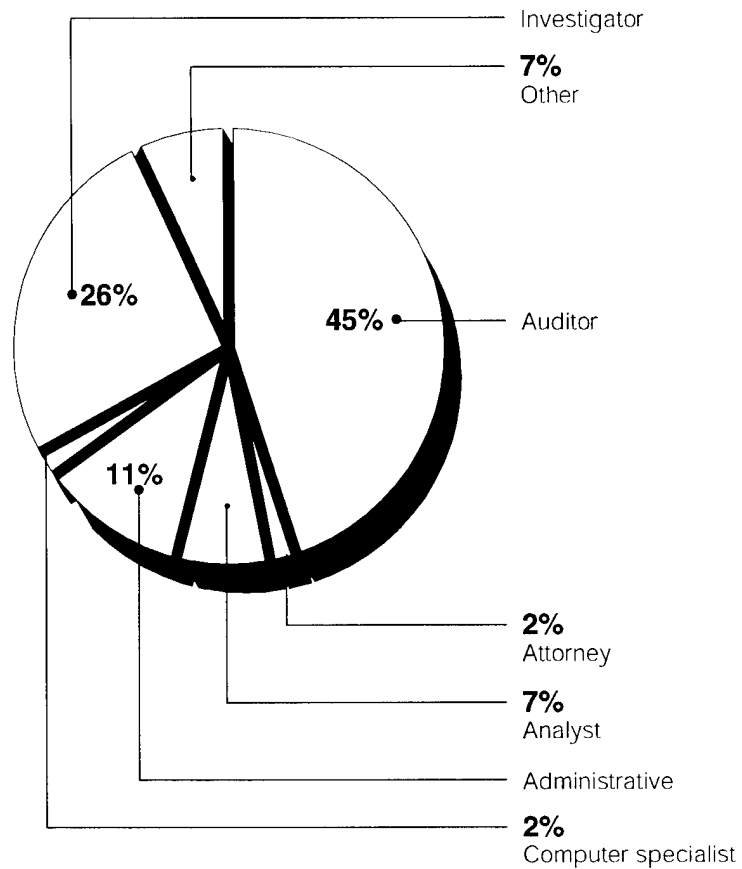
Note: The percentages are based on reported obligations of \$912 million for presidential and \$45 million for DFE IGs. The percentages do not total 100 percent due to rounding.

2. How many and what types of staff were employed by the IGs as of September 30, 1997?

In fiscal year 1997, the IGs stated that they had a total of 9,348 staff of which 8,818 staff (94 percent) worked in presidential IG offices and 530 (6 percent) worked in DFE IG offices. As shown in figure 2, these staff are classified in various types of occupational job series. The largest group of the IGs' staff (45 percent) are auditors, with the next largest group—26 percent—being investigators. Figure 3 provides a breakdown of the occupational job series held by the presidential and DFE IG staff. The

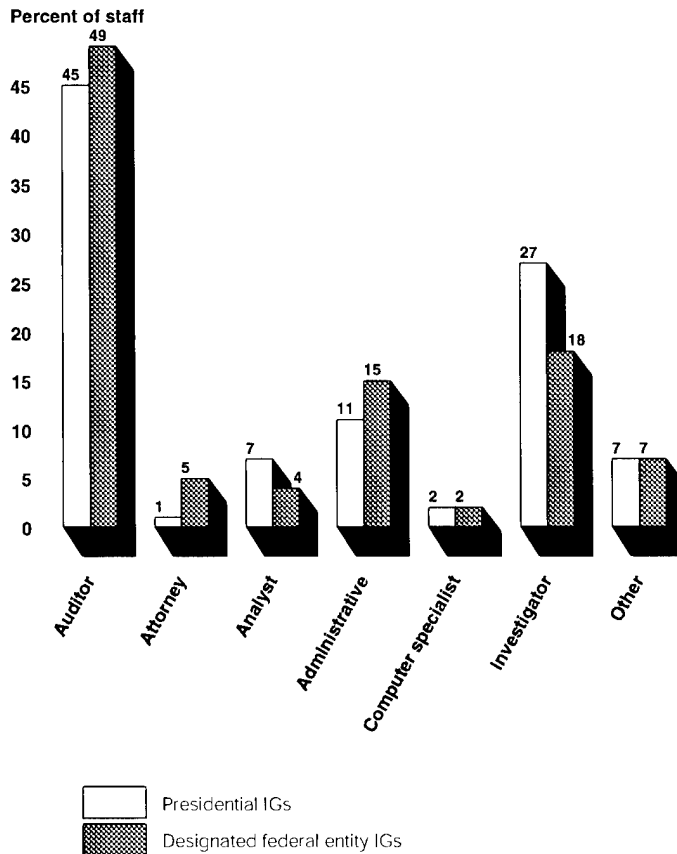
reported distribution of the staff among the various occupations is proportionately about the same for both the presidential and DFE IGs.

Figure 2: Reported Distribution of the IG Staff Occupations



Notes: (1) The investigator category includes all of the investigative job series—1800, 1801, 1810, and 1811. (2) The analyst category includes management, program, and other analysts. (3) The percentages are based on 9,348 staff.

Figure 3: Reported Breakdown of IG Staff by Occupational Job Series



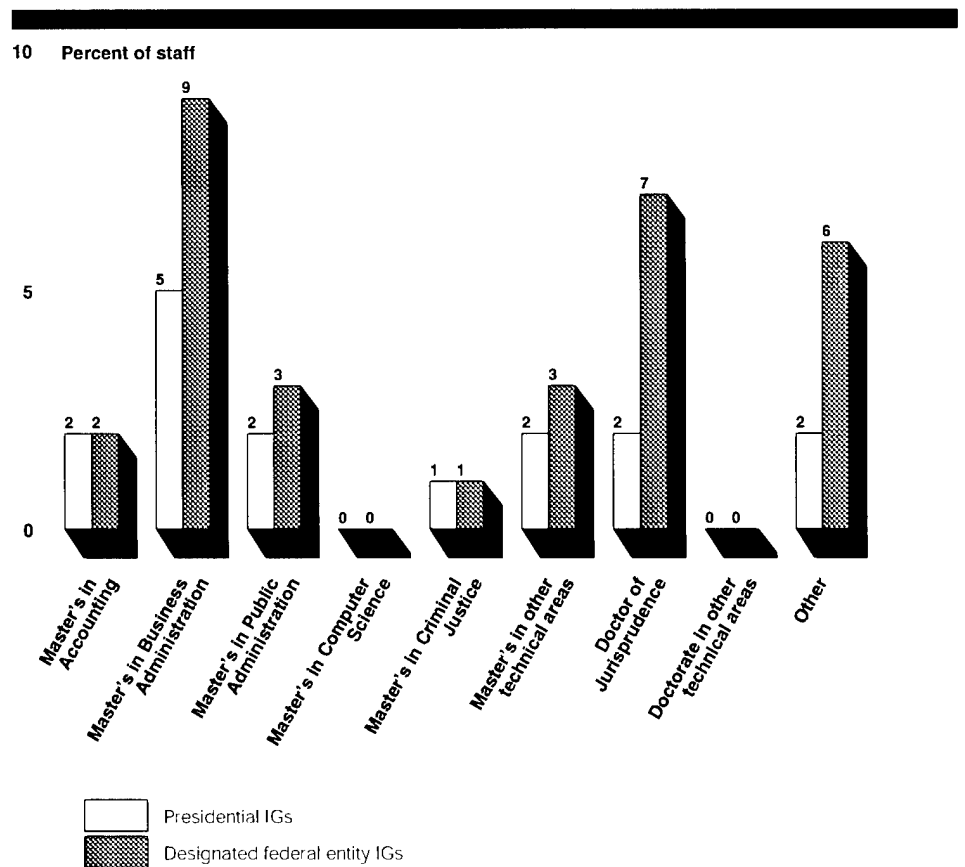
Notes: (1) The percentages are based on 8,818 presidential IG staff and 530 DFE IG staff. The investigator category includes all of the investigative job series—1800, 1801, 1810, and 1811. (2) The analyst category includes management, program, and other analysts.

3. What percentage of IG staff hold advanced degrees?

As shown in figure 4, the most common advanced degree cited for both the presidential and DFE IG staff was a master's degree in business administration. Five percent of presidential IG staff and 9 percent of DFE IG staff hold this degree. The next most common advanced degree cited among the IG staff was a Doctor of Jurisprudence for DFEs. The other master's and doctorate categories that were also significantly represented

included such diverse areas such as finance, geography, psychology, and English. An individual could have more than one advanced degree.

Figure 4: Reported Types of Advanced Degrees Held by IG Staff



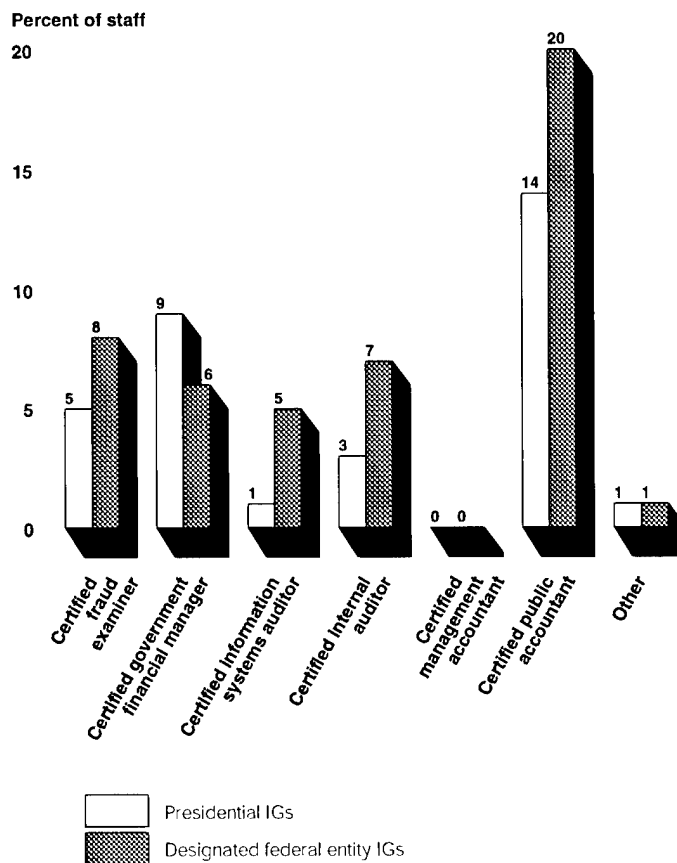
Notes: (1) The percent is based on the 1,426 advanced degrees held by 8,818 presidential IG staff and the 165 advanced degrees held by 530 DFE IG staff. An individual could have more than one advanced degree. (2) Zero percent means that there are some, but that less than 1 percent of the staff have advanced degrees in the two categories—computer science and other doctorate.

4. What percentage of IG staff hold professional certifications?

As shown in figure 5, the survey results indicate the Certified Public Accountant certification as the largest category for both presidential and

DFE IG staff. About 14 percent of presidential IG staff and 20 percent of the DFE IG staff were shown to have this certification. The next largest category for presidential IG staff was Certified Government Financial Manager. The second highest certification for the DFE IG staff was for a Certified Fraud Examiner. Some individuals had more than one certification.

Figure 5: Reported Certifications Held by IG Staff



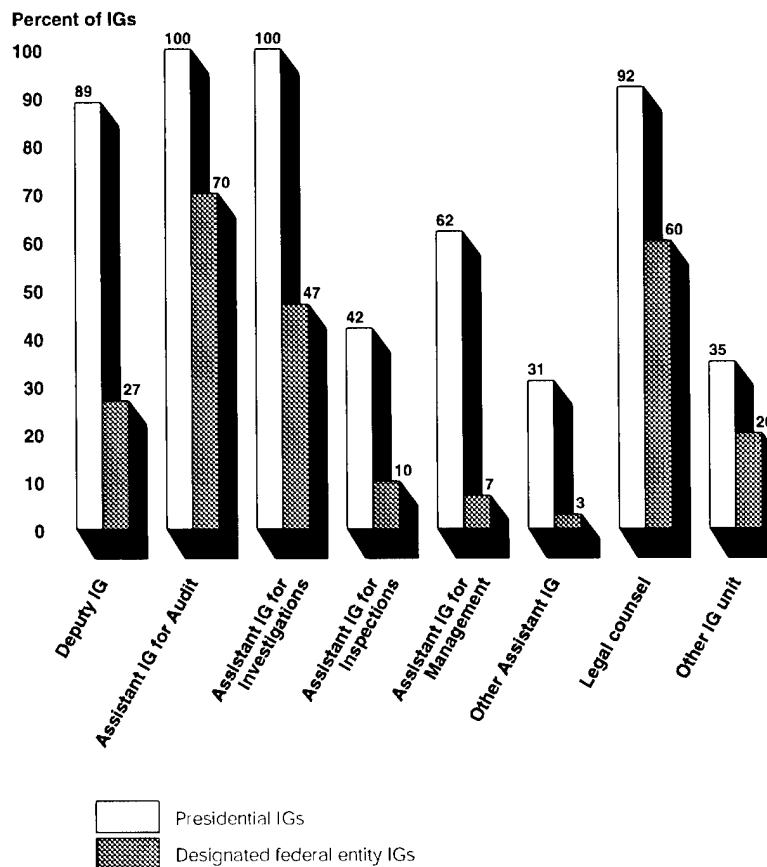
Notes: (1) The percent is based on the 2,935 certifications held by 8,818 presidential IG staff and the 245 certifications held by 530 DFE IG staff. An individual could have more than one certification. (2) Zero percent means that there are some, but that less than 1 percent of the staff are certified management accountants.

5. What types of positions are in IG offices?

The IG Act requires presidential IGs to have an Assistant IG for Auditing and an Assistant IG for Investigations. As shown in figure 6, all of the presidential IGs reported that they have both positions. Although the other positions are not required by statute, 89 percent of the presidential IGs also have a Deputy IG and 92 percent have a Legal Counsel within the IG's office.

On the other hand, DFE IGs are not required to have an Assistant IG for Auditing or Investigations. However, approximately 70 percent have an Assistant IG for Auditing and about 47 percent have an Assistant IG for Investigations. Further, the survey results showed that about 60 percent of the DFE IGs have a legal counsel within the IG's office.

Figure 6: Reported Types of Positions in IG Offices



Note: At the Department of Labor and the Small Business Administration, the Assistant IG for Management also provides legal counsel.

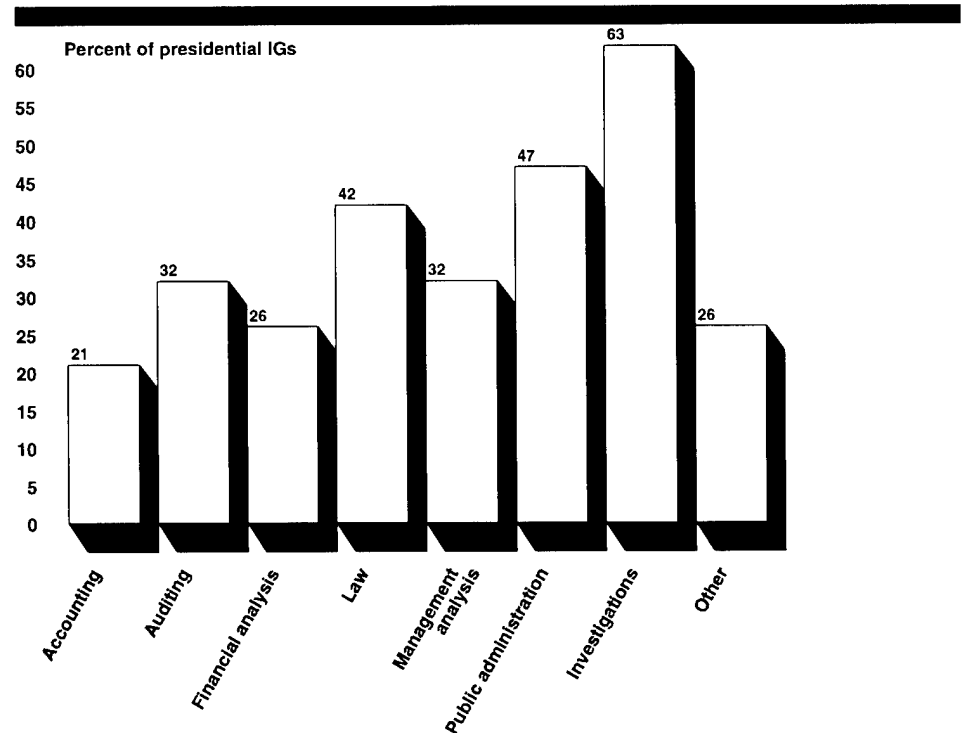
6. What are the career backgrounds and years of experience of the current presidential IGs?

The IG Act states that an IG should have demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations. As shown in figure 7, the reported backgrounds of the 19 presidential IGs in office at the time of our survey cover these disciplines. Fourteen of the presidential IGs noted that they have backgrounds in more than one discipline, with two IGs having

backgrounds in seven disciplines. Investigations, at 63 percent, is the predominant background overall for the presidential IGs. Public Administration at 47 percent and law at 42 percent are the next highest.

Before becoming an IG in their current agency, the presidential IGs had 6 to 32 years of experience in various positions mostly in management, IG-related positions, or investigations. Nine of the IGs were investigators and three had been IGs in other agencies.

Figure 7: Reported Career Backgrounds of Presidential IGs



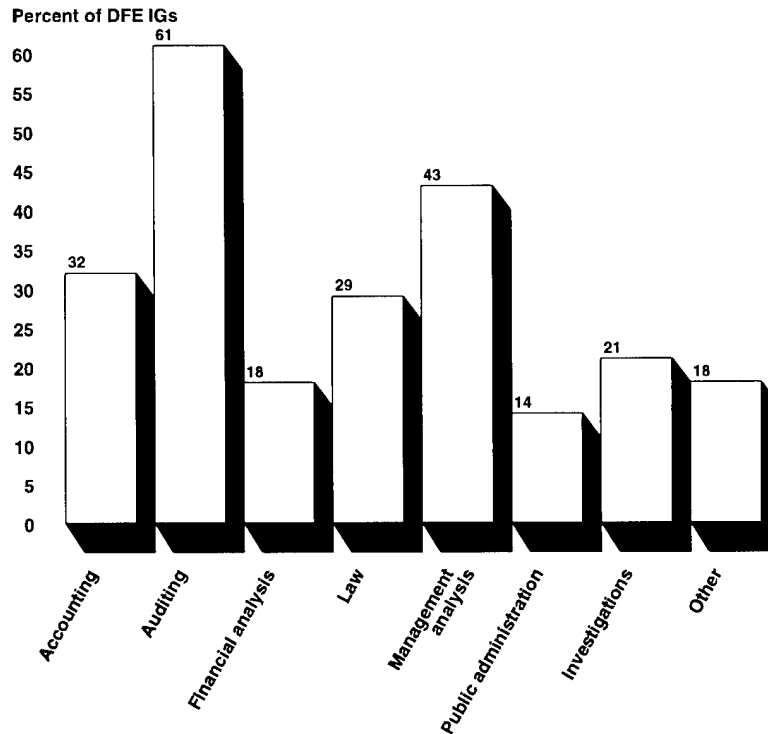
Note: This figure is based on 19 presidential IGs in office at the time of our survey. The percentages total more than 100 percent because some have experience in more than one category.

7. What are the career backgrounds and years of experience of the current DFE IGS?

As with the presidential IGS, the reported background of the 28 DFE IGS in office at the time of our survey cover each of the disciplines in the IG Act. Twenty of the DFE IGS indicated that they have backgrounds in more than one discipline, with one having a background in six disciplines. As indicated by figure 8, auditing, at 61 percent, is the predominant background for the DFE IGS. This is almost double the percentage for presidential IGS. Management analyst, at 43 percent, is the next highest discipline among the DFE IGS. Compared to the presidential IGS, fewer DFE IGS—21 percent to 63 percent—have investigative backgrounds.

The DFE IGS had 1 to 29 years of experience in various positions such as management, IG-related positions, or investigations before becoming an IG in their current agency. Many of the DFE IGS were previously auditors.

Figure 8: Reported Career Backgrounds of the DFE IGs

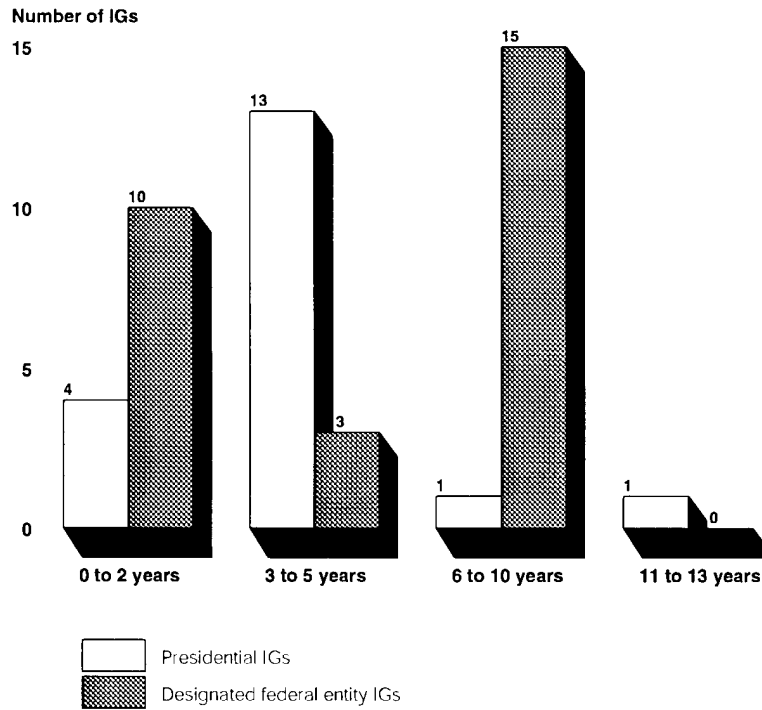


Note: This figure is based on 28 filled DFE IG positions. The percentages total more than 100 percent because some have experience in more than one category.

8. How many years have the IGS been in their current IG positions?

As of June 1998, according to the survey results, 70 percent of the IGS in filled positions had been an IG in their agency for 3 or more years. DFE IGS tended to be in their positions for a longer period of time, with 15 DFE IGS having 6 to 10 years as the IG in their respective agency. As indicated in figure 9, the majority (68 percent) of the presidential IGS had 3 to 5 years in office. The IG at the General Services Administration had the most time as an IG at the same agency, being in the position for almost 13 years.

Figure 9: Reported Number of Years in the IG Position

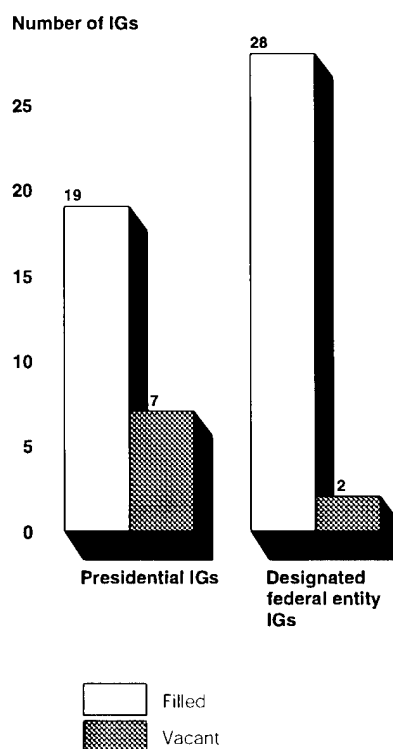


Note: This figure is based on the 19 presidential and 28 DFE IGs in office at the time of our survey.

9. How many IG positions are vacant and what is the length of time that the vacancy has existed?

As of June 1998, nine IG positions were vacant. As shown in figure 10, seven of these were presidential IG positions and two were DFE IG positions. They had been vacant from a period of 1 to 17 months. It is not unusual to have vacant IG positions. In March 1990, we reported⁶ 10 vacant IG positions. Eight of these were presidential IGs and two were DFE IGs.

Figure 10: Reported Number of IG Positions Filled and Vacant



10. Do the IGs believe they have the ability to perform the work they are responsible for?

The type of work IGs are required to perform covers a broad spectrum of agency programs and operations ranging from financial and performance

⁶Inspectors General: Information on Vacancies and Previous Experience (GAO/AFMD-99-64FS, March 7, 1990).

audits⁷ to information technology reviews to investigations. Appendix I provides a more detailed description of the various types of work performed by IGS. With such diverse work, IGS need the ability to establish multi-disciplinary teams to perform these various reviews. A key element of the IGS' ability to assemble teams is the capability to obtain contractors and/or consultants, as needed.

IGS responded that, in general, they have the ability to assemble teams to perform their work. The degree of ability varies somewhat, depending on the type of work. On average, IGS—presidential and DFE—stated that they have a great to very great ability to assemble teams for financial audits, inspections, and performance audits. IGS responded that they have a moderate to great ability to assemble teams for information technology, economic analysis, and statistical analysis and some to little ability to assemble teams for actuarial analysis. IGS also noted that they have the ability to assemble teams for criminal investigations. The presidential IGS stated that they have a very great ability to assemble teams for criminal investigations whereas, the DFE IGS stated that they have a great ability to assemble such teams.

Generally, the IGS said they do not use contractors and/or consultants for most of their work. The presidential IGS use them to a moderate extent for financial statement audits and to some extent for financial-related, computer security and actuarial work. DFE IGS use contractors and/or consultants to a great extent for financial statement audits and to some extent for financial-related, economy and efficiency audits, computer security, other information technology work, and statistical analysis. Contractors and/or consultants, on average, are used to a little or no extent for most other types of work such as program audits, inspections, investigations, Year 2000,⁸ Clinger-Cohen Act,⁹ or economic analysis.

⁷Financial audits include financial statement and financial related audits. Performance audits include economy and efficiency and program audits and program evaluations.

⁸Year 2000 computer system problems result from the inability of computer programs at the year 2000 to interpret the correct century from a recorded or calculated date having only two digits to indicate the year. Unless corrected, computer systems could malfunction or produce incorrect information when the year 2000 is encountered during automated data processing.

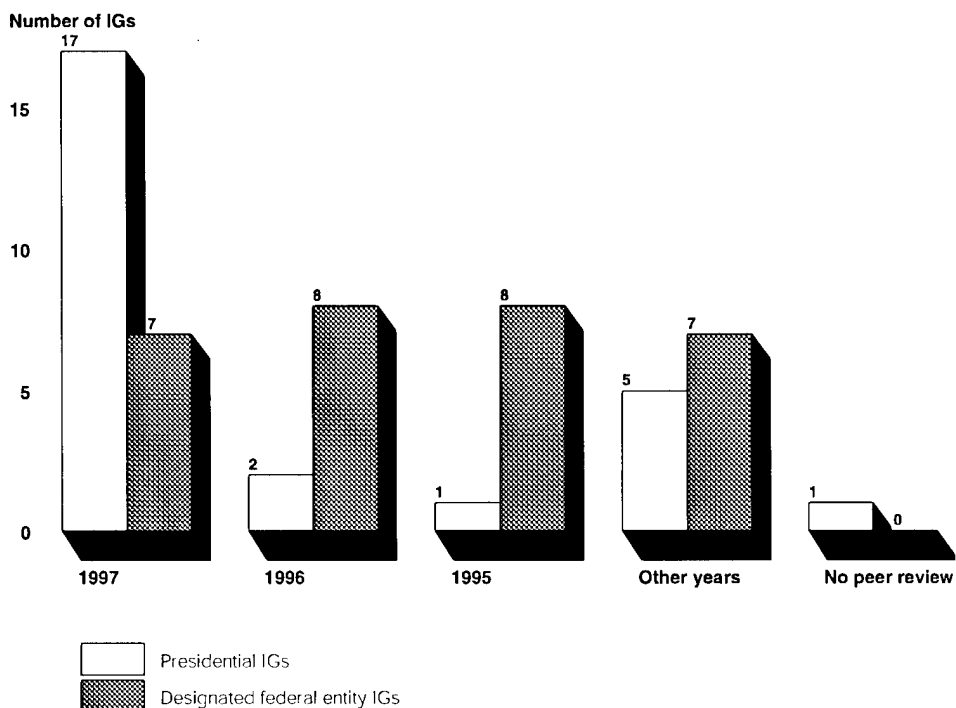
⁹Clinger-Cohen Act encourages federal agencies to evaluate and adopt best management and acquisition practices, and requires agencies to base decisions about information technology investments on quantitative and qualitative factors, and to use performance data to demonstrate how the information technology expenditures support improvements to agency programs.

11. How do the IGs ensure the quality of their work?

The IGs responded that they use various means to ensure the quality of their work, such as external quality control reviews and established policies and procedures. Generally accepted government auditing standards¹⁰ (GAGAS) guide auditors in auditing various types of organizations. These standards require audit organizations conducting audits in accordance with these standards to have an external quality control review every 3 years. Such reviews are commonly referred to as peer reviews and typically cover both financial and performance audits. The peer review, typically performed by an IG in another agency, determines whether the organization's internal quality control system is in place and operating effectively. These reviews are intended to provide reasonable assurance that established policies and procedures and applicable auditing standards are being followed. Figure 11 provides information on the number of peer reviews completed over the past few years.

¹⁰Generally accepted government auditing standards are issued by the Comptroller General of the United States in the Government Auditing Standards, 1994 revision. IGs are required to follow these standards in their audit work.

Figure 11: Reported Year Covered by the Last Peer Review



Note: Peer review only applies to the IG audit function.

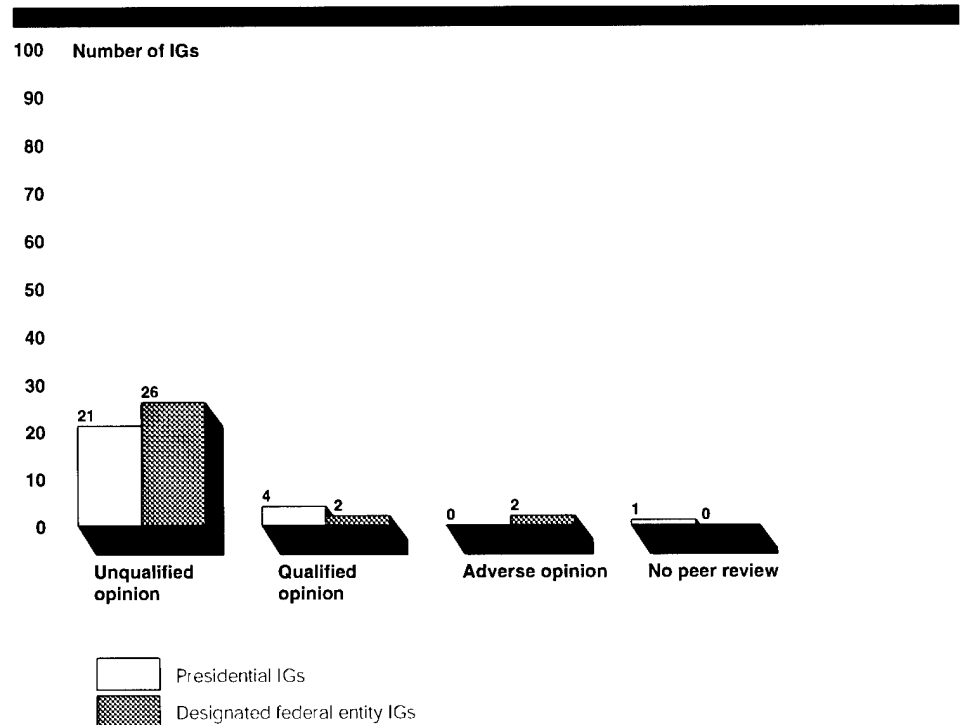
At the time of our survey, all IGs had received peer reviews except the Social Security Administration, which was established as an independent agency in March 1995 and, therefore, had not yet been required to have a review. As shown in figure 12, most of the IGs (47) received unqualified opinions¹¹ meaning that, for the period of time covered by the peer review, their system of quality control for the audit function complied with established quality standards. Six received qualified opinions, meaning that except for the deficiencies identified and reported by the peer reviewers, the IG's system of quality control was in conformance with established quality standards. Two IGs received adverse opinions.¹² This means that their system of quality control had significant deficiencies and

¹¹An unqualified opinion means that there was reasonable assurance that the policies and procedures were in place and that the generally accepted government auditing standards were being followed.

¹²In commenting on our draft report, one of the IGs that had received an adverse opinion acknowledged receiving a qualified opinion on the most recent peer review.

in effect had not been designed and/or implemented in accordance with established quality standards. As a result, there were not reasonable assurances that the audits were conducted in accordance with prescribed standards.

Figure 12: Reported Type of Opinion the IGs Received on Their Last Peer Review

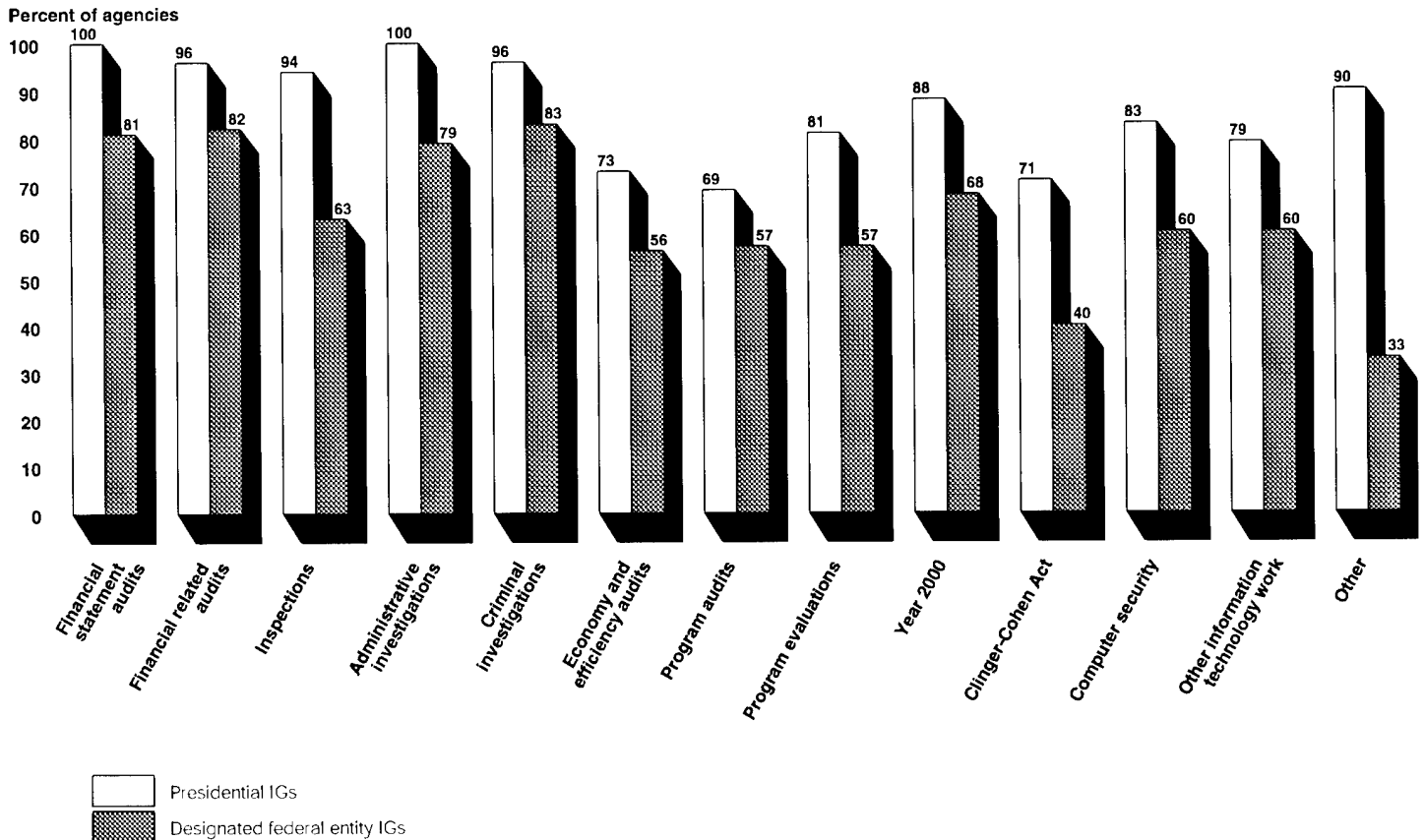


Note: Peer review only applies to the IG audit function.

About 80 percent of the IGs stated that the peer review process is working to ensure adequate quality control to a moderate or greater extent. They had mixed views, however, on changing the current process. About 54 percent of the IGs favored changing the process, while about 45 percent did not favor changing the process. The nature and extent of the work performed by peer reviewers and the frequency of the reviews were the most common types of changes suggested.

Standard methodologies can also be used as a tool to help ensure quality control. The presidential IGS reported that they used standard methodologies for virtually all of their work related to financial audits, inspections, and investigations. They noted that standard methodologies were used less frequently for information technology work and performance audits. From an overall perspective, the DFE IGS used standard methodologies to a lesser extent. For example, about 80 percent of the DFE IGS reported that they used a standard methodology for financial audits and investigations. For other types of work such as inspections and information technology, a standard methodology was used less often by the DFE IGS than the presidential IGS. The IGS reported that for most of their work the standard methodologies they used were primarily developed in-house. Methodologies used for financial statement audits and some information technology work were primarily developed by other federal agencies. Figure 13 shows the use of standard methodologies for the various types of work performed by the IGS.

Figure 13: Reported IG Use of Standard Methodologies



Training is another area that can be used to help ensure that a viable quality control system has been put into place. GAGAS requires IG staff performing financial and performance audits to receive a minimum of 80 hours of continuing education and training every 2 years. According to the IG responses, as of December 31, 1997, almost all IG staff had met the requirement, with the range being between 95 percent and 100 percent. A similar training requirement exists for the inspection staff. PCIE's Quality Standards for Inspections requires that each inspector receive 40 hours of continuing education and training every 2 years. According to the IGs' responses, on average, 94 percent of the staff had met this requirement as of December 31, 1997. Further, IGs noted that, on average, 98 percent of

the criminal investigative staff, which is under job series 1811, had completed the entry level training as defined by PCIE Quality Standards for Investigations.

Having established procedures in place is another means that IGS have for ensuring quality control. Over 92 percent of the IGS noted that they have procedures in place for performing financial and performance audits and investigations. Further, 86 percent of the IGS stated that they have procedures in place for conducting inspections. A smaller percentage of the IGS, however, have procedures in place for information technology work. The survey responses showed that 76 percent had procedures in place for Year 2000 work, 69 percent for computer security work, and 57 percent for Clinger-Cohen Act related work.

IGS have various other types of procedures to help ensure the quality of their work. These procedures include supervisory reviews, internal reviews of reports prior to issuance, agency comments, peer reviews, and referencing. Most of these procedures involve an independent review of the audit plan, the supporting workpapers, and/or the report by individuals external to the staff performing the audit or inspection work. For example, referencing is a quality control process whereby a professionally competent and independent individual traces facts, figures, and dates from draft products to the supporting workpapers. This process is intended to ensure that sufficient credible evidence exists to support the conclusions and recommendations made in the report.

These procedures are used to varying degrees for financial and performance audits and their inspection and investigative work. Almost all of the IGS indicated that they use supervisory reviews and internal reviews of all reports prior to issuance for their audits and inspection work. Agency comments is another procedure that is heavily used for both audits and inspections. In addition, as discussed earlier, external quality control reviews, which are required for audit work but not inspections, are also known as peer reviews, and are used by over 90 percent of the IGS for their financial and performance audit work, but less often (32 percent) for inspections. Figures 14 and 15 show the use of quality assurance procedures for audits and inspections by the presidential and DFE IGS, respectively. In regard to investigations, figure 16 shows that both presidential and DFE IGS primarily use supervisory reviews as their main control procedure.

Figure 14: Reported Presidential IG Use of Quality Assurance Procedures for Audits and Inspections

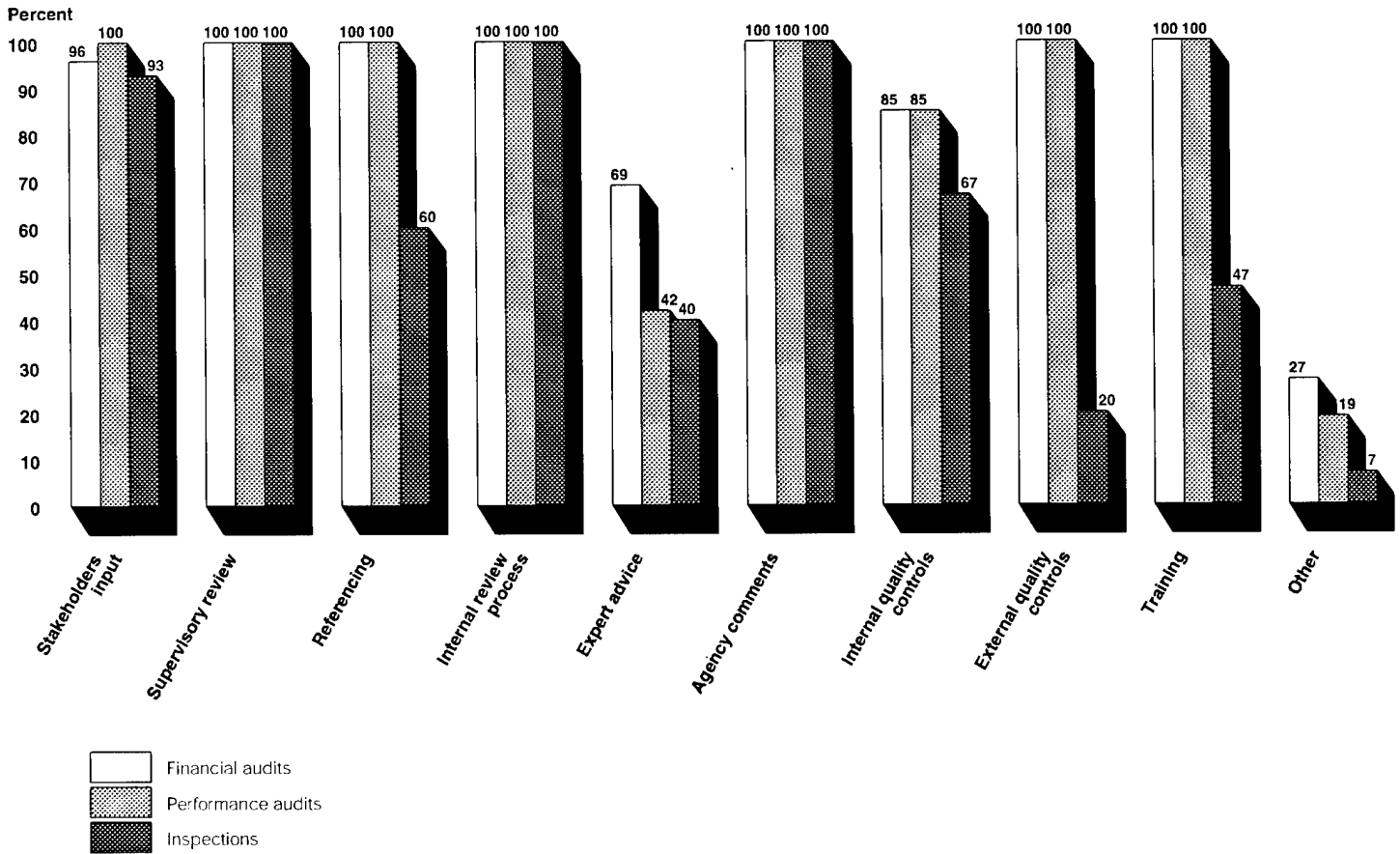


Figure 15: Reported DFE IG Use of Quality Assurance Procedures for Audits and Inspections

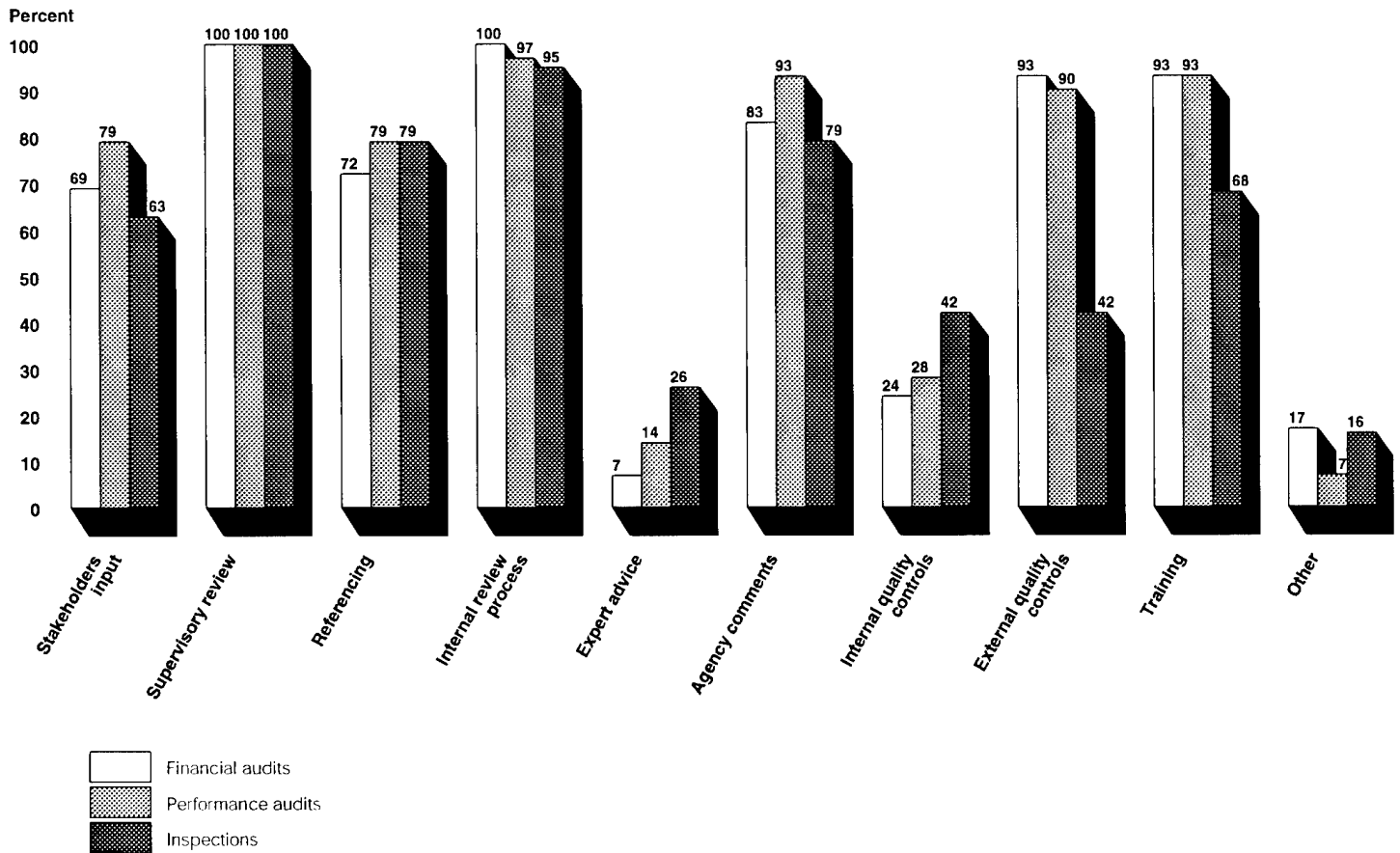
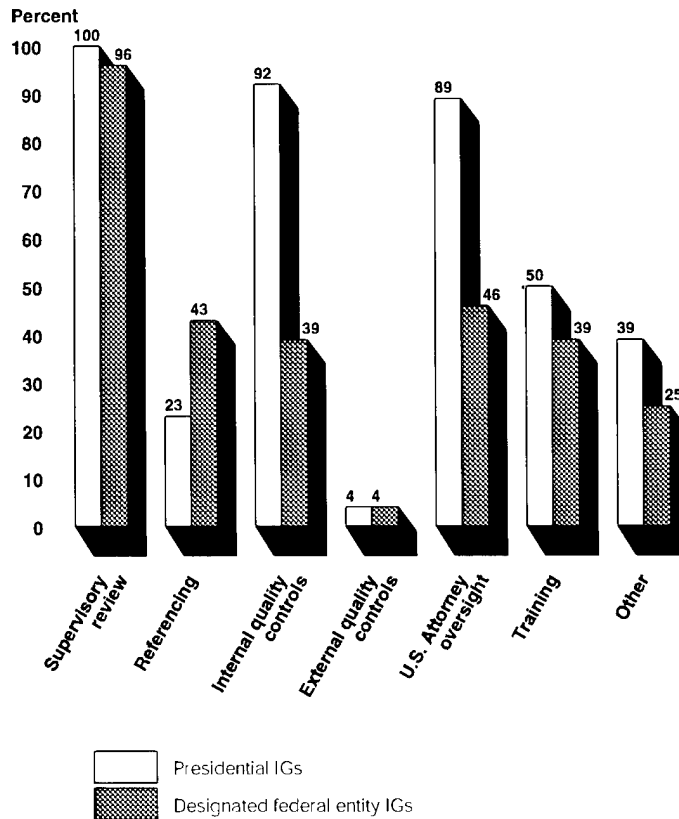


Figure 16: Reported IG Use of Quality Assurance Procedures for Investigations



Note: This figure is based on 26 presidential and 28 of the 30 DFE IGs.

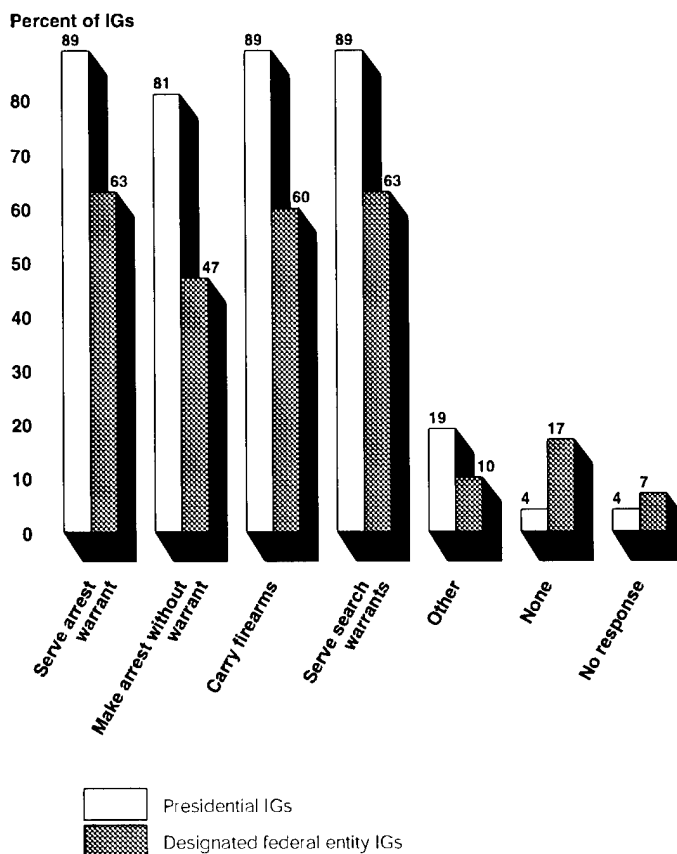
IGs' Views on Current Policy Issues

As requested, we sent a questionnaire to all 57 IGs to obtain their views on current policy issues affecting them. These issues include law enforcement authority, the semiannual report, the 7-day letter, independence, and the effectiveness of PCIE, ECIE, and the Integrity Committee. These issues were identified through discussions with congressional staff and review of congressional testimonies and other publications such as those issued by the Congressional Research Service. Since the IGs' responses were anonymous, we were unable to follow up and obtain additional information or clarification. The following nine questions and answers summarize the views of the 56 IGs who responded to this questionnaire.

1. What type of law enforcement authority do the IGS think they should be granted on a permanent basis?

Currently, law enforcement authorities have not been granted to IGS across-the-board in public law. The IGS that have law enforcement authorities have acquired them through transfers from preexisting offices, specific statutory grants, delegation by the agency head, or special deputation by the Department of Justice. The special deputation can be granted on a case-by-case basis that is limited to the scope and duration of a case or by a blanket authority that covers a broader scope and is renewed after a period of time, as specified in the memorandum of understanding with Justice. In general, the law enforcement authority provided to the IGS in performing investigations include serving arrest warrants, making arrests without warrants, carrying firearms, and serving search warrants. Figure 17 identifies the various types of law enforcement actions that IGS can currently take.

Figure 17: Reported Type of Law Enforcement Actions IGs Can Take



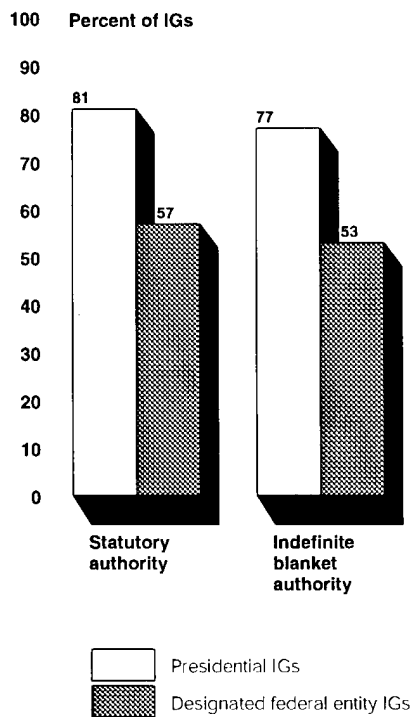
Note: This figure is based on 26 presidential and 30 DFE IGs. Percentages do not add to 100 because more than one type of authority could have been checked.

Most presidential IGs (81 percent) indicated that they had blanket authority granted by the Department of Justice. Most DFE IGs (60 percent) indicated that they did not have law enforcement authority but could obtain assistance from other IGs or Justice, if needed. Only three presidential IGs and one DFE IG had statutory law enforcement authority. A few IGs (5) had case-by-case authority granted by Justice.

Figure 18 identifies the type of law enforcement authority the IGs currently desire. Most IGs—81 percent of the presidential and 57 percent of the DFES—responded that they should have statutory law enforcement

authority. In addition, 77 percent of the presidential and 53 percent of the DFES stated that blanket authority should be indefinite, unless a problem occurs. On a related issue, a majority—58 percent of the presidential and 60 percent of the DFES—indicated that they should have testimonial subpoena authority.

Figure 18: Reported Type of Law Enforcement Authority the IGs Believe They Should Have



2. What are IG views on the usefulness of the 7-day letter?

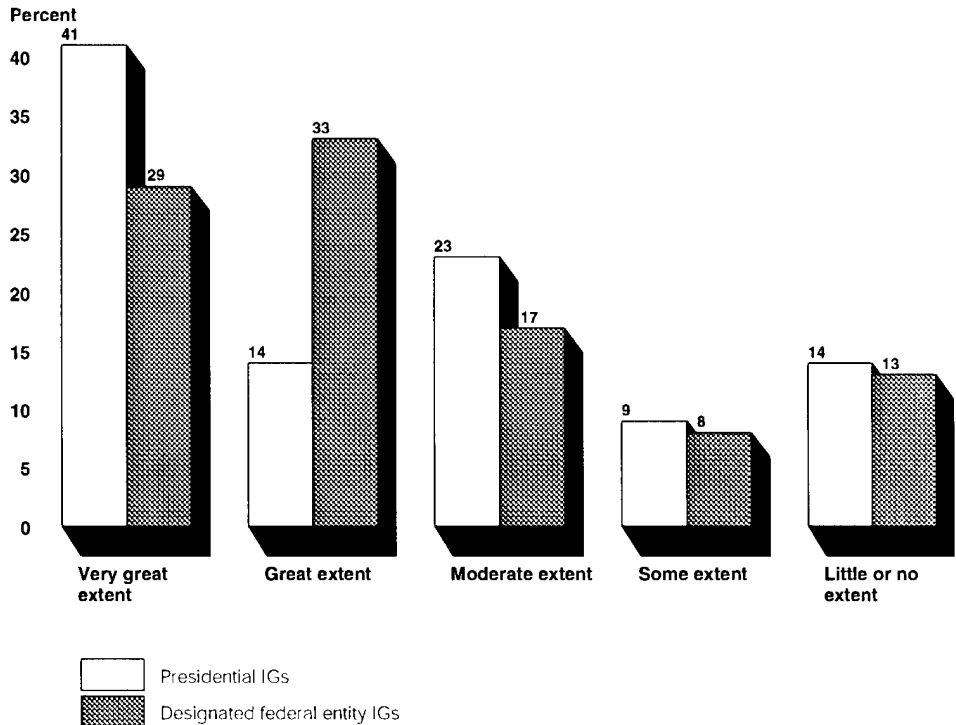
Section 5(d) of the IG Act, as amended, requires IGs to report immediately to the agency head whenever the IG becomes aware of “particularly serious or flagrant problems, abuses, or deficiencies relating to the administration of programs or operations.” The agency head, in turn, is to transmit the IG report, with the agency head’s comments, to the appropriate committees or subcommittees of the Congress within 7 calendar days. This is referred to as the 7-day letter.

The survey responses indicated that none of the IGS had used the 7-day letter during the period January 1, 1990, to April 30, 1998. Earlier surveys have shown that the 7-day letter had been used on occasion by some IGS. For example, a survey conducted by the Inspections and Special Reviews Committee of PCIE in June 1986, and updated in 1989, showed that the 7-day letter had been used on 10 occasions, by seven IGS.

Although a 7-day letter has not been issued in recent years, the IGS noted that it is a useful mechanism to encourage agencies to comply with the IGS' requests. A 10-year review of the IG Act by the House Committee on Government Operations¹³ found that the IGS viewed the use of the 7-day letter as a last resort to attempt to force appropriate action by the agency. Our survey responses indicated that the IGS continue to view the 7-day letter useful as a tool. Twelve of the 22 presidential IGS and 20 of the 24 DFE IGS that responded to the question find it useful to a great or very great extent. Three IGS specifically stated that the threat of a 7-day letter gets immediate results. Another IG responded that it had threatened the use of the letter twice and in each instance the agency responded to the IG's request. Figure 19 provides the IGS' views on the usefulness of the 7-day letter.

¹³The Inspector General Act of 1978: A 10-Year Review, House Committee on Government Operations, H.R. Rep. No. 100-1027, October 3, 1988.

Figure 19: Reported IG Views on the Usefulness of the 7-Day Letter



Note: This figure is based on 22 of 26 presidential IGs and 24 of 30 DFE IGs. Four presidential IGs and six DFE IGs responded that they had no basis to judge. Percentages do not add to 100 percent due to rounding.

3. In the opinion of the IGs, should the current requirement for the preparation of a semiannual report be modified, replaced, or eliminated?

Section 5(a) of the IG Act requires that each IG issue a semiannual report to the Congress and agency management. The IG Act outlines 12 specific areas that are to be covered by each semiannual report, which are listed in appendix V. Overall, the IGs responded that most of the reporting requirements should remain. However, the following three requirements were the most frequently cited as needing change. The percent of IGs favoring each change is shown parenthetically.

- Audits identifying questioned costs¹⁴ and funds to be put to better use¹⁵ (39 percent)
- Statistical tables of questioned costs (55 percent)
- Statistical tables of funds to be put to better use (57 percent)

While there was support for some changes to the reporting requirements, only one IG supported elimination of the report and eight IGs suggested substituting another document for the semiannual report, such as the agency's accountability report or an annual performance report.

Thirty-five IGs stated that the reporting requirement should be changed from semiannual to annual. Further, the presidential IGs indicated that the semiannual report is at least moderately useful to the Congress, OMB, agency heads, and program managers. The DFE IGs noted that the report is of great use to the Congress, OMB, and agency heads and of moderate use to program managers.

4. Do the IGs generally believe that they have sufficient independence in the performance of their work?

The independence of the IGs is central to the success of the IG concept. Each IG reports to and is under the general supervision of the agency head or in the case of a presidential IG, the official next in rank, to the extent delegated. However, these individuals, with a few specified exceptions, cannot prevent or prohibit the IG from initiating, carrying out, or completing any audit or investigation or from issuing any subpoena during the course of any audit or investigation. Under the IG Act, as amended, the heads of three Departments—Defense, Justice, and Treasury—may prevent the IG in his or her department from initiating or proceeding with an audit or investigation in order to prevent disclosure of information relating to national security, on-going criminal investigations, and other matters outlined in the IG Act. If the department heads take this action, the IG Act provides for written notification to the House Committee on Government Reform and Oversight, the Senate Committee on Governmental Affairs, and other specified committees and subcommittees. Similar exceptions are provided for the Central Intelligence Agency and the Federal Reserve Board. In addition, the IGs are required to follow

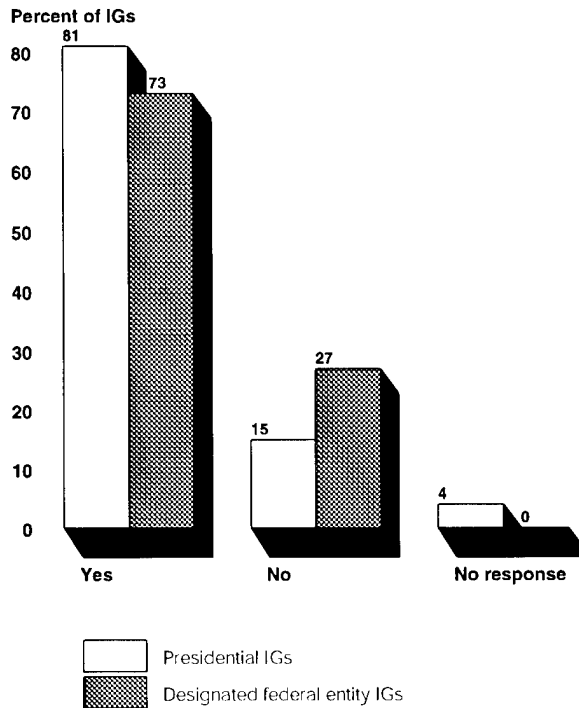
¹⁴Questioned costs arise because the IG believes that there has been (1) an alleged violation of a provision, (2) inadequate documentation of costs, and/or (3) unnecessary expenditure of funds.

¹⁵This refers to agency funds that could be used more efficiently if agency management implemented IG recommendations.

GAGAS, which require IGs and individual auditors to be free from personal and external impairments to independence.

As shown in figure 20, the survey results indicated that 81 percent of the presidential IGs and 73 percent of the DFE IGs responded that they have the level of independence needed to accomplish their mission. On the other hand, 15 percent of the presidential and 27 percent of the DFE IGs indicated that they do not have sufficient independence, but they did not identify specific areas in which they felt their independence was being compromised. The IGs did suggest some options for enhancing independence. The most frequently cited option was to allow IGs to submit their budget request directly to OMB and the Congress rather than going through the agency review process. Other suggestions included ensuring that the removal of an IG is only for cause, clarifying the general supervision clause of the IG Act, and establishing term limits. Since these responses were part of the anonymous questionnaire, we were unable to obtain more specific information.

Figure 20: Reported Extent to Which the IGs Believe That They Have Sufficient Independence



Note: This figure is based on 26 presidential and 30 DFE IGs.

5. What are IG views regarding term limits and the process for identifying potential IG candidates?

In recent hearings¹⁶ questions have been raised as to whether or not the IGs should have term limits. Term limits would mandate that IGs have a fixed period of time that they could serve as IG at their respective agency. The IGs' survey responses indicate that while the IGs had varying views on this issue, neither the presidential IGs nor the DFE IGs favored term limits for their particular group. Their perception of the impact of term limits also varies. Some view it as enhancing independence, while others view it

¹⁶Subcommittee on Government Management, Information and Technology, House Committee on Government Reform and Oversight, April 21, 1998, and Senate Committee on Governmental Affairs, September 9, 1998.

as inhibiting independence. The following provides a breakdown of the responses.¹⁷

Of the Presidential IGS,

- 39 percent favored term limits for presidential IGS,
- 35 percent favored term limits for DFE IGS,
- 58 percent did not favor term limits for presidential IGS, and
- 31 percent did not favor term limits for DFE IGS.

Of the DFE IGS,

- 40 percent favored term limits for presidential IGS,
- 37 percent favored term limits for DFE IGS,
- 47 percent did not favor term limits for presidential IGS, and
- 57 percent did not favor term limits for DFE IGS.

Another key IG issue is the process for identifying potential IG candidates. We asked the IGS for their views on establishing a list of potential candidates that could be used as a source when vacancies occur. The survey responses showed that the presidential and DFE IGS have different views on establishing a list of potential IG candidates. Fifty percent of the presidential IGS were of the opinion that a list should be established for all IGS, while 35 percent were not in favor of establishing any type of list, and 8 percent believed a list should be developed for only presidential IGS. In regard to the DFE IGS, 50 percent did not want any list established, while 33 percent favored the establishment of a list for all IGS, and 10 percent indicated other ways of identifying candidates, such as open competition, establishment of an IG candidate development program, and the creation of a board. However, when asked who should develop the list, there was general agreement that, if such a list was established, it should be developed by PCIE, ECIE, and OMB.

6. In the opinion of the IGS, are changes needed in the organizational structure of the DFE IGS?

The Congress enacted the Inspector General Act Amendments of 1988¹⁸ to establish statutory IGS at 33¹⁹ DFES. The amendments provided for the

¹⁷We asked each IG whether or not they favored term limits for (1) Presidential IGS and (2) DFE IGS. In responding to this question, the IGS could select all that applied.

¹⁸Public Law 100-504.

¹⁹Currently there are 30 DFE IGS.

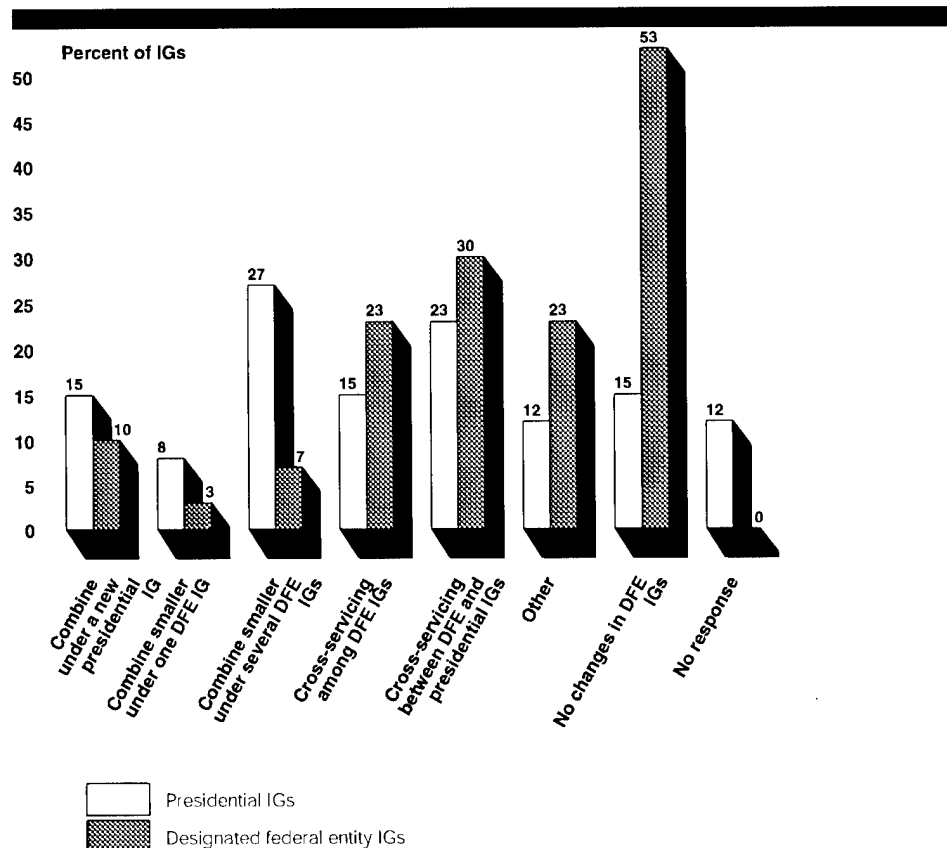
entity heads to appoint their inspectors general. The powers and duties extended to the DFE IGS are essentially the same as those provided to presidentially appointed IGS.

As shown in figure 21, the majority²⁰ of the DFE IGS—approximately 53 percent—expressed satisfaction with the current organization structure and operating environment, and therefore, did not favor any change. Fifteen percent of the presidential IGS were of the same opinion. However, some respondents—both presidential and DFE—expressed the opinion that some change was warranted. For example, 30 percent of the DFE IGS and 23 percent of the presidential IGS believed that consideration should be given to cross-servicing among the presidential and DFE IGS. Similarly, 23 percent of the DFE IGS and 15 percent of the presidential IGS favored cross-servicing among the DFE IGS. Additionally, the topic of reorganizing some of the DFE IGS offices has been discussed within the IG community and at congressional hearings. Therefore, we asked the IGS their opinion on this matter.²¹ From an overall perspective, the presidential IGS were more in favor of combining the DFES. Specifically, 27 percent of the presidential IGS favored combining the smaller DFE IGS under several DFE IGS, whereas, only 7 percent of the DFE IGS supported this alternative. Similarly, 15 percent of the presidential IGS supported the idea of combining all of the DFES under a new presidentially appointed IG; 10 percent of the DFES supported this approach.

²⁰In responding to this question, the IGS could select more than one option.

²¹Three presidential IGS did not respond to this question. We were not able to identify who these IGS were because this question was in the anonymous questionnaire.

Figure 21: Reported IG Views on Suggested Changes in DFE IG Organization



Note: This figure is based on 26 presidential and 30 DFE IGs. Percentages add to more than 100 percent because more than one option could have been chosen.

7. Do the presidential IGs view PCIE as an effective organization?

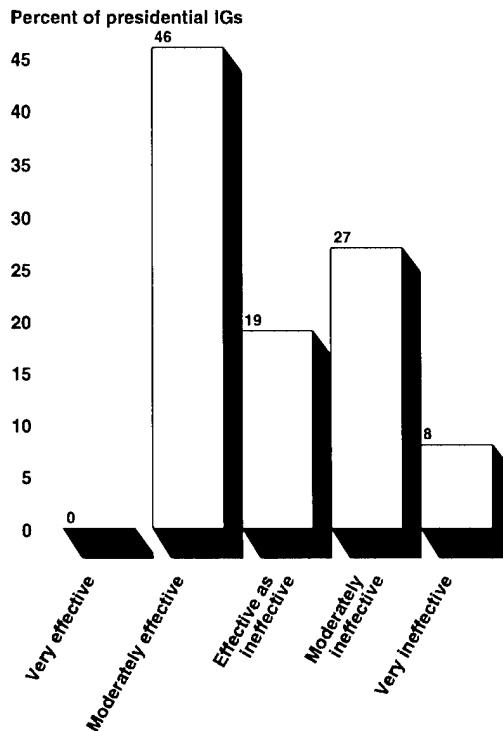
PCIE is an interagency council established in March of 1981 by Executive Order No. 12301. PCIE is primarily comprised of the presidentially appointed and Senate-confirmed IGs and chaired by OMB's Deputy Director for Management. An IG member serves as the Vice Chair. Members of PCIE are identified in appendix VI.

The purpose of PCIE is to identify, review, and discuss areas of weakness in federal programs and to develop plans for coordinated governmentwide activities to address problems and promote economy and efficiency in

federal programs. According to PCIE's annual report for fiscal year 1996, A Progress Report to the President, PCIE works to address integrity, economy, and effectiveness issues that transcend individual agencies and to increase the professionalism and effectiveness of IG personnel throughout government.

As shown in figure 22, 46 percent of the presidential IGs responded that PCIE was a moderately effective organization. However, about 35 percent responded that PCIE was moderately to very ineffective. Both sides presented pros and cons of PCIE's effectiveness. The presidential IGs noted that PCIE is a good forum for the exchange of information and discussion of common issues among IGs. It is also viewed as useful in providing professional training to its personnel—both audit and investigative. However, some presidential IGs stated that it is difficult to reach agreement or consensus in PCIE meetings because of the diversity of its membership with representatives bringing to meetings different agendas based on their respective agency's missions. Further, according to some IGs, PCIE needs to better address governmentwide issues and projects.

Figure 22: Reported Extent to Which the Presidential IGs Believe That PCIE Is Effective



Note: This figure is based on 26 presidential IGs.

In commenting on a draft of this report, the presidential IGs noted that PCIE has provided valuable service to the IG community. They noted that PCIE has developed governmentwide standards for audits, investigations, and inspections. In addition, PCIE maintains two training centers that are used for the benefit of all IGs. Additionally, the IGs commented that PCIE has worked collectively on various projects and governmentwide issues. For example, representatives from nine IGs conducted an assessment of the Internal Revenue Service's inspection service. Further, the IGs noted that PCIE has developed forums for the discussion and exchange of information related to the Year 2000 problem and the Government Performance and Results Act of 1993.²²

²²The Government Performance and Results Act of 1993—commonly referred to as the Results Act—requires agencies to develop strategic goals tied to agency missions, identify performance measures associated with those goals, and implement annual results-oriented performance reports linked to budget requests.

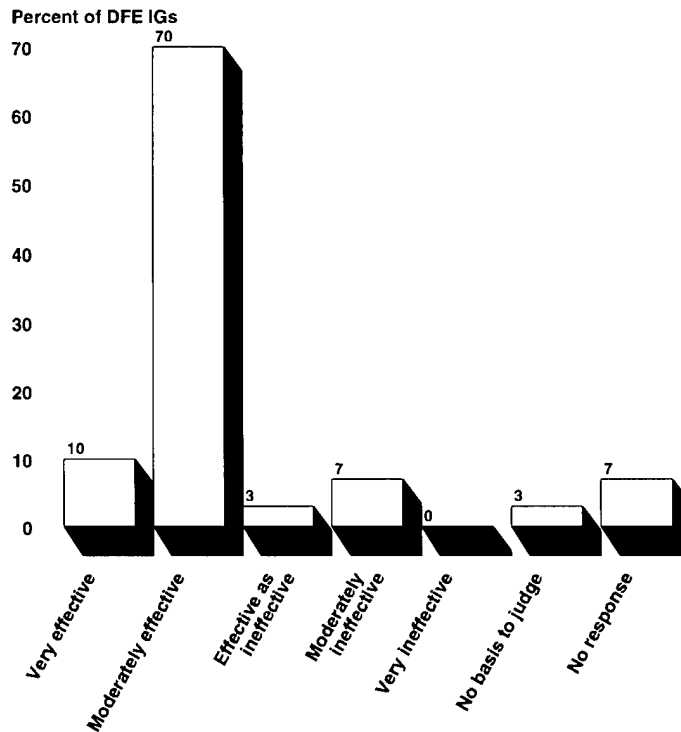
8. Do the DFE IGS view ECIE as an effective organization?

ECIE was established in 1992 by Executive Order No. 12805.²³ ECIE membership consists primarily of the DFE IGS and is chaired by OMB's Deputy Director for Management. An IG member serves as the Vice Chair. The entire ECIE membership is identified in appendix VII. The purpose of ECIE is the same as PCIE, that is, to identify, review, and discuss areas of weakness in federal programs; and develop plans for coordinated governmentwide activities to address problems and promote economy and efficiency in federal programs.

As shown in figure 23, the vast majority of DFE IGS—80 percent—indicated that ECIE is an effective organization, with 10 percent responding very effective and 70 percent responding moderately effective. The DFE IGS noted that ECIE facilitates communication and sharing of common community issues among IGS as well as provides a forum to discuss and keep abreast of current issues. A few DFE IGS stated that ECIE facilitates coordination and information sharing between ECIE and OMB. In addition, some DFE IGS stated that their size often precludes them from having the necessary resources to undertake common projects. Since all of these responses were part of the anonymous questionnaire, we were unable to follow up with the DFE IGS to obtain more details on the specific concerns they raised.

²³Executive Order 12625, January 27, 1988, established the Coordinating Conference, which consisted primarily of the DFE IGS. The Coordinating Conference evolved into ECIE.

Figure 23: Reported Extent to Which the DFE IGs Believe That ECIE Is Effective



Note: This figure is based on 30 DFE IGs.

9. What are the presidential IGs views on the effectiveness of PCIE Integrity Committee?

The Integrity Committee was established by PCIE in January 1995 for the purpose of receiving, reviewing, and referring for investigation, allegations of wrongdoing against certain staff members of the IG offices. The committee replaced a working group that reviewed allegations against IGs and their principal deputies. In March 1996, Executive Order No. 12993 formalized the process and established the membership of the Integrity Committee.

The Integrity Committee is chaired by the Federal Bureau of Investigation (FBI) representative to PCIE. Other members include the Special Counsel, Office of the Special Counsel; the Director, Office of Government Ethics;

and three or more IGS, representing both PCIE and ECIE. In addition, the Chief of the Public Integrity Section, Department of Justice Criminal Division, serves as an advisor.

Allegations received by PCIE are assigned to the Integrity Committee for processing and review. Allegations that the Integrity Committee deems to be worthy of further review are referred to the Department of Justice, Public Integrity Section, to determine if the allegation, if proved, would constitute a violation of federal criminal law. If it is determined that a criminal investigation is warranted, the Public Integrity Section can investigate the allegation or refer it to the FBI. If it is determined that a criminal investigation is not warranted or that the investigation substantiated misconduct but prosecution is declined, the allegation is returned to the Integrity Committee for an administrative review.

If a noncriminal allegation is determined to warrant referral, the Integrity Committee can (1) refer the allegation to the head of the affected agency for a response, (2) request an uninvolved IG, or its staff on detail, to conduct an investigation, or (3) refer the allegation to an appropriate governmentwide agency for review. For example, the Special Counsel, Office of Special Counsel, who as a member of the Integrity Committee participates in the review of all allegations, can ask that particular allegations be referred to that office for investigation.

Upon completion of the agency's follow-up, investigation, or review, the agency head notifies the Integrity Committee of the results and what action, if any, should be taken against the subject of the allegation. If the committee concurs with the agency's findings, the matter is closed with a letter to PCIE Chair and others as appropriate. If the Integrity Committee does not concur with the investigation, the matter is to be referred back to the agency head, or to another agency, for appropriate action. The matter is not to be closed until the committee concurs with the agency's investigative findings.

The majority of the presidential IGS—58 percent—stated that the Integrity Committee was effective in handling allegations of wrongdoing against an IG or an IG staff member. However, about 31 percent of the presidential IGS responded that the Integrity Committee was ineffective. Some IGS raised concern that the process of handling allegations took too long and did not adequately address noncriminal or administrative allegations.

In commenting on a draft of this report, the Chairman of the Integrity Committee noted that although the number of cases has doubled since 1990, the time required to process cases has declined. According to the Chairman, it took approximately 28 months to process cases in 1990, but in 1998 it took only about 4 months to process cases. Additionally, the Chairman stated that about 93 percent of the allegations the Integrity Committee receives are determined to be unsubstantiated, insufficiently supported, or frivolous or to fall outside of the Committee's purview.

Agency Comments

The IGS and OMB generally agreed with the contents of the report, and OMB generally agreed with the comments provided by PCIE and ECIE. Additionally, ECIE noted that the report presents the survey results in a clear and objective manner. ECIE provided technical comments that we have incorporated where appropriate. The Chairman of the Integrity Committee commented only on the IGS' responses related to the Committee. We have incorporated these comments as appropriate.

We are sending copies of this report to the Vice Chairs and Ranking Minority Members of the House Committee on Government Reform and Oversight and its Subcommittee on Government Management, Information and Technology; the Ranking Minority Member of the Senate Special Committee on Aging; the Chairmen and Ranking Minority Members of the Senate Committee on Governmental Affairs, House and Senate Committees on Appropriations, House and Senate Committees on the Budget; the Director, Office of Management and Budget; and the 57 IGS. Copies will also be made available to others upon request.

The major contributors to this letter are listed in appendix X. If you have any questions concerning this report, please contact me at (202) 512-6240.



Linda D. Koontz
Associate Director, Audit Oversight and Liaison

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Abbreviations

DFE	Designated Federal Entity
ECIE	Executive Council on Integrity and Efficiency
FBI	Federal Bureau of Investigation
GAGAS	generally accepted government auditing standards
IG	Inspector General
OMB	Office of Management and Budget
PCIE	President's Council on Integrity and Efficiency

Establishment of the Inspectors General and the Work They Perform

The importance of legislative underpinnings for auditing in the federal government dates back almost half a century to the Accounting and Auditing Act of 1950, which held federal agency heads responsible for internal controls, including appropriate internal audit. The need to strengthen this requirement became evident when, in 1976, GAO began to issue a series of reports on reviews at 157 fiscal offices in 11 major federal organizations. These reports indicated widespread and serious internal control weaknesses that resulted in the waste of government money through fraud and mismanagement.

We reported that federal agencies did not use their internal auditors to examine their financial operations and when they did, no action was taken on the auditors' recommendations. We also found that internal audit groups were not independent, they were underfunded and understaffed, audit efforts were fragmented among several offices, and problems found by the audits were not communicated to the agency heads. With rare exceptions, the executive agencies had not adequately monitored, assessed or reviewed their own operations and programs. As a result, the Congress passed the Inspector General Act of 1978 (IG Act), Public Law 95-452, as amended. The IG Act established Inspector General offices in federal departments and agencies to create independent and objective units responsible for (1) conducting and supervising audits and investigations, (2) providing leadership and coordination and recommending policies to promote economy, efficiency, and effectiveness, and (3) detecting and preventing fraud and abuse in their agencies' programs and operations.

Subsequently, two interagency councils were established to provide a coordinating mechanism for the IGs. Through these councils, IGs are to identify, review, and discuss areas of weakness in federal programs; and develop plans for coordinated governmentwide activities to address problems and promote economy and efficiency in federal programs. The President's Council on Integrity and Efficiency (PCIE) was established in March of 1981 by Executive Order No. 12301 and is primarily comprised of presidentially appointed and Senate-confirmed IGs. The Executive Council on Integrity and Efficiency (ECIE) was established in May 1992 by Executive Order No. 12805 and consists primarily of the DFE IGs. The Office of Management and Budget's (OMB) Deputy Director for Management chairs both of these councils. An IG member of each council serves as the vice chair. Appendix IV and V contain complete lists of PCIE and ECIE membership.

To carry out their mandate, IGS perform various types of work including financial and performance audits, investigations, and inspections. The types of work performed by the IGS are highlighted below.

Financial statement audit provides reasonable assurance about whether the financial statements of an audited entity represent fairly the financial position, results of operations, and cash flows in conformity with generally accepted accounting principles based on audits conducted in accordance with GAGAS.

Financial related audits include determining whether (1) financial information is presented in accordance with established or stated criteria, (2) the entity has adhered to specific financial compliance requirements, or (3) the entity's internal control structure over financial reporting and/or safeguarding assets is suitably designed and implemented to achieve the control objectives.

Investigation is a planned systematic search for relevant, objective, and sufficient facts and evidence derived through interviews, record examinations, and the application of other approved professional investigative techniques. Investigations may be administrative, civil, or criminal in nature.

Inspection is a process, other than an audit or an investigation, that is aimed at evaluating, reviewing, studying, and analyzing the programs and activities of a department or agency for the purposes of providing information to managers for decision-making, for making recommendations for improvements to programs, policies, or procedures, and for administrative action. Inspections include providing factual and analytical information, monitoring compliance, measuring performance, assessing the efficiency and effectiveness of operations, and conducting inquiries into allegations of fraud, waste, abuse, and mismanagement.

Performance audit is an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action. Performance audits include economy and efficiency audits, program audits, and program evaluations, which are highlighted below.

- Economy and efficiency audits include determining (1) whether the entity is acquiring, protecting, and using its resources economically and efficiently, (2) the causes of inefficiencies or uneconomical practices, and (3) whether the entity has complied with laws and regulations on matters of economy and efficiency.
- Program audits include determining (1) the extent to which the desired results or benefits established by the legislature or other authorizing body are being achieved, (2) the effectiveness of organizations, programs, activities, or functions, and (3) whether the entity has complied with significant law and regulations applicable to the program.
- Program evaluations are systematic studies conducted periodically to assess how well a program is working. Program evaluations include (1) assessing the extent to which a program is operating as it was intended, (2) assessing the extent to which a program achieves its outcome-oriented objectives, (3) assessing the net effect of a program by comparing program outcomes with an estimate of what would have happened in the absence of the program, and (4) comparing a program's outputs or outcomes with the costs to produce them.

Clinger-Cohen Act implementation encourages federal agencies to evaluate and adopt best management and acquisition practices used by both private and public sector organizations and requires agencies to base decisions about information technology investments on quantitative and qualitative factors such as costs, benefits, and risks of those investments and to use performance data to demonstrate how well the information technology expenditures support improvements to agency programs.

Year 2000 computer system problem results from the inability of computer programs at the year 2000 to interpret the correct century from a recorded or calculated date having only two digits to indicate the year. Unless corrected, computer systems could malfunction or produce incorrect information when the year 2000 is encountered during automated data processing.

Oversight of Nonfederal Audits ensures that audit work performed by nonfederal auditors complies with applicable federal standards.

Operation of Hotlines receives and analyzes allegations of waste, fraud, or abuse in connection with the programs and operations of their respective agencies.

Appendix I
Establishment of the Inspectors General and
the Work They Perform

In commenting on a draft of this report, one IG responded that the office performs administrative enforcement activities which are authorized by the Fraud Civil Remedies Act and similar legislation.

List of Presidentially Appointed Inspectors General

- Agency for International Development
- Central Intelligence Agency
- Corporation for National and Community Service
- Department of Agriculture
- Department of Commerce
- Department of Defense
- Department of Education
- Department of Energy
- Department of Health and Human Services
- Department of Housing and Urban Development
- Department of the Interior
- Department of Justice
- Department of Labor
- Department of State
- Department of Transportation
- Department of the Treasury
- Department of Veterans Affairs
- Environmental Protection Agency
- Federal Deposit Insurance Corporation
- Federal Emergency Management Agency
- General Services Administration
- National Aeronautics and Space Administration
- Nuclear Regulatory Commission
- Office of Personnel Management
- Railroad Retirement Board
- Small Business Administration
- Social Security Administration

List of Designated Federal Entity Inspectors General

- Amtrak
- Appalachian Regional Commission
- Consumer Product Safety Commission
- Commodity Futures Trading Commission
- Corporation for Public Broadcasting
- Equal Employment Opportunity Commission
- Farm Credit Administration
- Federal Communications Commission
- Federal Election Commission
- Federal Housing Finance Board
- Federal Labor Relations Authority
- Federal Maritime Commission
- Federal Reserve Board
- Federal Trade Commission
- Government Printing Office
- Legal Services Corporation
- National Archives and Records Administration
- National Credit Union Administration
- National Endowment for the Arts
- National Endowment for the Humanities
- National Labor Relations Board
- National Science Foundation
- Panama Canal Commission
- Peace Corps
- Pension Benefit Guaranty Corporation
- Securities and Exchange Commission
- Smithsonian Institution
- Tennessee Valley Authority
- United States International Trade Commission
- United States Postal Service

Objectives, Scope, and Methodology

Our objectives were to obtain (1) information on IG organization, staffing, workload, and operational issues and (2) the views of the IGs on policy issues affecting them such as term limits, law enforcement authority, semiannual reporting, and the IG selection process. To accomplish our objectives, we developed and administered two questionnaires to obtain information from the IGs. One questionnaire was for attribution and requested information regarding the IGs' organizational structure, staffing, and workload. At your request, the other questionnaire was anonymous and requested the IGs' views on current policy issues. Because this questionnaire was anonymous, we were unable to contact the IGs and obtain clarification, additional details, or missing responses. Prior to sending out the questionnaires, we pretested them with the IGs from the Smithsonian Institution and the Office of Personnel Management and revised them as necessary.

The questionnaires were sent to all 57 IGs—27 presidentially appointed and 30 DFE IGs. We received responses for each questionnaire from 56 IGs. We did not independently verify the information provided by the IGs. In addition, we reviewed the testimony presented at the April 21, 1998, hearing held by the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform and Oversight, and the September 9, 1998, hearing held by the Senate Committee on Governmental Affairs to ascertain the current IG policy issues.

We performed our review between April 1998 and December 1998 in accordance with generally accepted government auditing standards. We requested comments on a draft of this report from the Office of Management and Budget's (OMB) Acting Deputy Director for Management, the Chairman of the Integrity Committee,¹ and all 57 IGs. On December 10, 1998, and December 14, 1998, respectively, we received oral comments from the Integrity Committee and OMB that are discussed in the "Agency Comments" section. The Vice Chair of the President's Council on Integrity and Efficiency (PCIE) and the Vice Chair of the Executive Council on Integrity and Efficiency (ECIE) provided written comments consolidating the comments of presidential and DFE IGs, respectively. These comments are discussed in the "Agency Comments" section and are reprinted in appendixes VIII and IX, respectively.

¹The Integrity Committee is responsible for receiving, reviewing, and referring for investigation allegations of wrongdoing against certain staff members of the IG offices.

Semiannual Reporting Requirements of the Inspector General Act, as Amended

Subsection	Section 5(a) Reporting Requirements
1	A description of significant problems, abuses and deficiencies relating to the administration of programs and operations
2	A description of the recommendations for corrective action made by the IG during the reporting period with respect to significant problems, abuses, or deficiencies
3	An identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed
4	A summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted
5	A summary of each report made to the head of the establishment when the IG judges that there has been an unreasonable refusal to provide requested information or assistance
6	A listing, subdivided according to subject matter, of each audit report issued by the IG during the reporting period and for each audit report, where applicable, the total dollar value of questioned costs and the dollar value of recommendations that funds be put to better use
7	A summary of each particularly significant report
8	Statistical tables showing the total number of audit reports and the total dollar value of questioned costs for audit reports <ul style="list-style-type: none"> a. for which no management decision had been made b. which were issued during the reporting period c. for which management decision was made during the period d. for which no management decision had been made by the end of the period
9	Statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management, for audit reports <ul style="list-style-type: none"> a. for which no management decision had been made b. which were issued during the reporting period c. for which management decision was made during the period d. for which no management decision had been made by the end of the period
10	A summary of each audit report issued before the commencement of the reporting period for which no management decision had been made by the end of the reporting period, an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision on each such report
11	A description and explanation of the reasons for any significant revised management decision made during the reporting period
12	Information concerning any significant management decision with which the IG is in disagreement

Membership of the President's Council on Integrity and Efficiency

- OMB's Deputy Director for Management serves as the chairperson
- All presidential appointed IGS
- Vice Chairperson of ECIE
- Controller of the Office of Federal Financial Management
- Associate Deputy Director for Investigations of the Federal Bureau of Investigation
- Director of the Office of Government Ethics
- Special Counsel of the Office of Special Counsel
- Deputy Director of the Office of Personnel Management

Membership of the Executive Council on Integrity and Efficiency

- OMB's Deputy Director for Management serves as the chairperson
- All DFE IGS
- Vice Chairperson of PCIE
- Controller of the Office of Federal Financial Management
- Associate Deputy Director for Investigations of the Federal Bureau of Investigation, or their designee
- Director of the Office of Government Ethics, or their designee
- Special Counsel of the Office of Special Counsel, or their designee
- Deputy Director of the Office of Personnel Management, or their designee

Comments From the President's Council on Integrity and Efficiency

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



PRESIDENT'S COUNCIL on INTEGRITY & EFFICIENCY

DEC 10 1998

Mr. Gene Dodaro
Assistant Comptroller General
Accounting and Information
Management Division
United States General Accounting
Office
Washington, DC 20548

Dear Mr. Dodaro:

This is in response to your letter of November 12, 1998, requesting that the members of the President's Council on Integrity and Efficiency (PCIE) review and comment on the draft report, Inspectors General: Information on Operational and Staffing Issues.

The members of the PCIE have reviewed the draft report and the enclosed comments are provided for your consideration.

Thank you for the opportunity to comment on the draft report. Should you have any questions, please contact me or Mr. John R. Crane, Vice Chair Liaison, at (703) 604-8324.

Sincerely,

Eleanor Hill
Vice Chair

Enclosure

Appendix VIII
Comments From the President's Council on
Integrity and Efficiency

Draft Report "Inspectors General: Information on
Operational and Staffing Issues"

Comments of the President's Council on
Integrity and Efficiency

Now on p. 3.

Page 4

The draft report states, "The largest single use of funds for the presidential IGs (about 31 percent) was for investigative work."

See comment 1.

This statement is misleading since the data collected by the survey divides auditing activity into financial audits and performance audits. If auditing is considered one activity it would then be the single largest activity receiving 46% of the funds expended by Presidential IGs.

Now on p. 11.

Page 14

The Assistant Inspector General for Management at the OIG, Department of Labor also serves as legal counsel. The note accompanying the table should be revised accordingly.

See comment 1.

Now on p. 14.

Page 19

The last sentence should be revised to clarify that the IG at the General Services Administration has served the most time as an IG *at the same agency*. The Inspector General, Department of Health and Human Services, has served the longest time as an Inspector General.

See comment 1.

Now on pp. 36-38.

Pages 52-53

The GAO draft report states that 35% of the Presidential IGs found the PCIE to be moderately to very ineffective and that the PCIE needs to better address government-wide issues and projects.

See comment 2.

The limited response options to the survey question did not permit more comprehensive answers that would point out areas where the PCIE has proven its value to the IG

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community. It should be noted that the PCIE has been very active and effective in developing government-wide quality standards for audits, investigations and inspections. The PCIE also maintains two training centers that benefit all OIGs, the Inspector General Auditor Training Institute and the Inspector General Criminal Investigator Academy. Over the past year, the PCIE took a proactive role in providing the views of the Inspector General Community to Congress on significant legislative proposals such as the Inspector General Act Amendments of 1998 and the Government Performance and Results Act Technical Amendments.

The draft report states that the "PCIE needs to better address government-wide issues and projects" but fails to acknowledge the extent to which the PCIE has addressed those kinds of issues. For example, recent reports issued by the PCIE have addressed such issues as "Federal Civilian Agencies' Aircraft Management Programs," "Review of Next Generation of Card-Based Payment Systems" and "Prescreening of Federal Grants and Loans by Offices of Inspector General and Their Agencies' Grant and Loan Offices." The PCIE also worked on an interagency basis to provide the review team comprised of representatives from nine Inspectors General offices that conducted an assessment of the Internal Revenue Service Inspection Service.

The draft report states that the PCIE needs to further address the Year 2000 problem and the Government Performance and Results Act of 1993 but does not acknowledge the work that the PCIE has already done on those issues. The PCIE members have established substantive working groups such as the Government Performance and Results Act Roundtable and the Information Technology Roundtable. The Roundtables serve as forums for discussion and exchange of information in these areas. They help to identify and promote the use of best practices in complying with the Results Act and in addressing information technology issues such as the Year 2000 computing problem.

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Now on pp. 48-51.

See comment 1.

Pages 63-67

The list of work performed by Inspectors General contained in Appendix I beginning on page 63 should be expanded to include the following IG functions that are not currently mentioned in the report:

Oversight of Non-Federal Audits in accordance with the Inspector General Act directive that IGs ensure that audit work performed by non-Federal auditors complies with Federal standards.

Operation of Hotlines that receive and analyze allegations of waste, fraud or abuse in connection with the programs and operations of the "parent" agency and route meritorious allegations to the appropriate officials for action.

Administrative Enforcement by OIGs that are authorized to propose administrative penalties such as the Program Fraud Civil Remedies Act and other civil monetary penalty laws.

Now on p. 49.

See comment 1.

Page 65

The last sentence in the paragraph defining "Investigation" should be amended to reflect that investigations may be "administrative, **civil** or criminal in nature."

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The following are GAO's comments regarding the presidential IG views contained in the December 10, 1998, letter from PCIE.

GAO Comments

1. The report has been revised accordingly.
2. In responding to the anonymous questionnaire, the presidential IGs were provided an opportunity to give their views and opinions on the effectiveness of PCIE. Of the 26 presidential IGs, 21 (or approximately 81 percent) provided written comments, which are summarized in the report. The written comments from 16 of the 21 IGs did not fully reflect the information discussed in the December 10, 1998, letter. However, we have revised the report to include the additional views presented in the letter.

Comments From the Executive Council on Integrity and Efficiency



Executive Council on Integrity and Efficiency

December 10, 1998

Mr. Gene L. Dodaro
Assistant Comptroller General
Accounting and Information Management Division
United States General Accounting Office
441 G Street, NW
Washington, D.C. 20548

Dear Mr. Dodaro:

This is in response to your letter dated November 12, 1998, requesting that the members of the Executive Council on Integrity and Efficiency review and comment on the draft report, Inspectors General: Information on Operational and Staffing Issues.

Although the report included no recommendations, inspectors general who offered comments generally agreed with the information on issues included in the report. Detailed technical comments on the draft report are enclosed.

We appreciate the opportunity to work with the General Accounting Office on these issues.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Thomas D. Blair", is written over a horizontal line.

Thomas D. Blair
Vice Chair

Enclosure

Major Contributors to This Report

Accounting and Information Management Division, Washington, D.C.

Jackson W. Hufnagle, Assistant Director
Edith A. Pyles, Assistant Director
Darby W. Smith, Assistant Director
Clarence A. Whitt, Senior Accountant
James F. Loschiavo, Supervisory Social Science Analyst
Cristina T. Chaplain, Communications Analyst

Kansas City Field Office

Dieter M. Kiefer, Assistant Director

San Francisco Field Office

Perry G. Datwyler, Senior Evaluator
RoJeanne Liu, Senior Evaluator/Computer Specialist
Thomas P. Monahan, Senior Evaluator

Office of General Counsel

Jacquelyn Hamilton, Attorney

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